

Senate Budget and Fiscal Review
SUBCOMMITTEE NO. 1

EDUCATION
Jack Scott, Chair
John Vasconcellos
Bob Margett

Monday, May 3, 2004
1:30 p.m.
Room 113

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II. University of California & California State University

A. SUPPORT BUDGET REDUCTIONS. In addition to the General Fund reductions associated with the redirection of students to community colleges, failing to fund enrollment growth, and increasing student fees (all of which were discussed at prior subcommittee hearings), the Governor's Budget proposes a set of reductions which impact the core academic, support, and research functions of the University of California (UC) and California State University (CSU). Following are the "highlights" of the Governor's proposal:

- *7.5 percent reduction in funding for Academic and Institutional Support. This reduction equates to a General Fund loss of \$45.4 million at UC and \$52.6 million at CSU;*
- *5 percent increase in the student-to-faculty ratio. This reduction is a general "hit" on the core academic functions of the universities and is proposed to save \$35.3 million at UC and \$53.5 million at CSU;*
- *5 percent reduction in state-funded research at the UC for an \$11.6 million General Fund savings;*
- *\$14.3 million reduction to Digital California Project – which provides Internet2 services to K-12 school districts (already discussed by the committee under the topic of K-12 Education Technology on March 15, 2004);*
- *Additional \$2 million reduction (\$4 million over two years) which eliminates the multi-campus Labor Studies Research Institute.*

LEGISLATIVE ANALYST OFFICE (LAO). While the LAO makes note of the above reductions in its Analysis of the 2004-05 Budget Bill, it does not raise any specific issues with the proposals and recommends that they be Approved as Budgeted.

STAFF NOTES. Staff notes particular concern with the Administration's proposal to eliminate the Labor Studies Institute. This Institute is only one of many organized research units within the UC. Based on the Governor's Budget, other state-supported research activities would be reduced by 5 percent (25 percent total reduction over two year period). As such, it is unclear why the Labor Studies Institute has been singled out for elimination while the others are proposed – equally and without regard to the subject of their research – for a 5 percent reduction.

1) Staff recommends that the committee hold this issue open pending additional information from the University of California regarding possible options for "folding" the work of the Labor Studies Institute into another UC research institute.

2) Further, staff recommends that the remainder of UC and CSU's Support Budgets be held open pending the May Revision.

BACKGROUND: STUDENT ACADEMIC PREPARATION (OUTREACH) PROGRAMS

“Outreach” generally refers to a variety of activities aimed at helping students from disadvantaged backgrounds prepare for and enroll in college. A term which better captures the nature of the programs would be “Student Academic Preparation”.

In 1995, the UC Regents approved SP-1, a policy that prohibited campuses from using race, religion, sex, color, ethnicity, or national origin as criteria in granting admission. The policy became effective January 1, 1997. In 1996-97, largely in response to the new environment created by SP-1, UC began a major initiative to improve and expand student centered efforts to increase the population of educationally-disadvantaged K-12 students that are eligible for admission to the UC.

The UC received substantial augmentations to its K-12 “outreach” budget to implement this post SP-1 strategy. Prior to the implementation of this comprehensive strategy, the state and UC spent approximately \$17 million on outreach efforts (in 1997-98). Funding for UC’s outreach programs reached a high of \$82 million (in the 2000-01 Budget Act). These augmentations allowed UC to expand student academic programs and implement a number of new initiatives which broaden the scope of K-12 academic preparation. Since then, funding levels have declined, to \$30 million at the beginning of this fiscal year (2003-04) to \$0 in the Governor’s proposed Budget.

At the CSU, Student Academic Preparation programs, including the Educational Opportunity Program (EOP) have existed for many years; however, the Legislature has tended to focus less on CSU’s efforts in this arena than on UC.

B. STUDENT ACADEMIC PREPARATION PROGRAMS. The Governor’s Budget proposes to delete the remaining \$33 million at UC and \$52 million at CSU which support student academic preparation “outreach” programs, thereby eliminating *all* state funding for these programs.

On March 31, 2004 this committee, combined with the Senate Education Committee, held a special two-hour hearing to discuss student academic preparation programs, specifically examining the issues of (1) how programs should look in the future; (2) expectations regarding the achievement levels of students in these programs; and (3) types and configurations of the most effective and efficient programs.

The committee concluded that the fiscal condition of the state warrants a review of student academic preparation programs, especially in light of the proposed higher education budget reductions which threaten the “promises” laid out in the *1960 Master Plan for Higher*

Education. The testifiers were united in the need for programs to be truly “intersegmental” (K-18) and implemented on a region-by-region basis. Further, the committee agreed that the UC has a special role to play – as the state’s Research Institution – in collecting and analyzing data related to the effectiveness of student academic preparation programs, and ensuring that these data are then used to further improve the programs.

LEGISLATIVE ANALYST. As part of its Analysis of the Budget Bill, the LAO recommended that the cuts proposed by the Governor be sustained and that the Legislature instead transfer \$30 million from funding originally set aside for community college financial aid outreach, to establish a College Preparation Block Grant. This new Block Grant would be targeted at schools with low college participation rates.

STAFF NOTES. While the LAO’s proposal may have merit in a “zero-sum” world, staff notes that there is nearly universal support for restoring at least some level of funding for “outreach” programs, and the Administration has expressed its interest in working with the Legislature and the University systems to help resolve this issue. As such, staff recommends that the committee hold this issue open pending the May Revision.

C. UC MERCED. The Governor’s Budget proposes to augment both support and capital outlay expenditures for the developing UC Merced campus. Support funds are slated for a net increase of \$2.7 million (\$10 million increase is offset by the deletion of \$7.3 million in one-time funds). The additional \$2.7 million will be spent on faculty salaries and recruitment; staff to process enrollment and financial aid applications; and library start-up costs. With this increase, annual expenditures for the Merced campus will be \$20 million.

In addition, the Governor’s Budget proposes Capital Outlay expenditures of \$9.3 million for the construction and equipment purchases related to the Logistical Support/Service Facility. Including the amount proposed in the Governor’s 2004-05 Budget (as noted above), to date, the state will have expended over \$104 million of General Fund and \$215 million in bond funds to develop the campus (\$319.3 million total).

LEGISLATIVE ANALYST RECOMMENDATION. Given both the Legislature and Governor’s desire to open the Merced campus in the Fall of 2005, the LAO recommends that the Legislature approve the proposed \$10 million augmentation, because the expenditure of funds is justified in meeting this goal. The LAO’s recommendation to approve the augmentation does not constitute an endorsement of the project, but rather indicates that an additional \$10 million appears necessary if the campus intends to open in Fall 2005. The LAO did not raise any issues related to the \$9.3 million capital outlay proposal.

STAFF NOTES. Since its inception, the opening date for the Merced campus has been changed several times. Originally, the campus was intended to open in the Fall of 2005,

with 1,000 full-time equivalent (or 1,036 “headcount”) students (FTES), and was on-track to meet this opening date. As part of the 2000-01 Governor’s Budget, the Davis Administration requested that the opening date be expedited to the Fall of 2004. While rushed, the UC struggled to meet the deadline. As part of last years’ budget negotiations, the opening date for the campus was delayed, back to its original 2005 date.

According to UC Merced officials, they will be ready to open the campus to 1,000 FTES in the Fall of 2005; a residence hall is currently being constructed to house 602 individuals. When the campus opens, it will offer six to eight undergraduate majors and five areas of graduate-level study. At present, the campus has a core staff of approximately 150 employees, including academicians, librarians, maintenance staff, and post-doctoral and graduate students.

Staff recommends that both support and capital outlay funding for UC Merced be held open pending the May Revision.

III. COMMUNITY COLLEGES CAPITAL OUTLAY

A. METHODOLOGY FOR PROJECTING ENROLLMENTS IN INDIVIDUAL DISTRICTS. There are no proposals in the Governor’s Budget related to this issue.

LEGISLATIVE ANALYST RECOMMENDATION. The LAO contends that the enrollment projections prepared by the Community Colleges Chancellor’s Office overstate future enrollments – which may be overestimating the need for additional facilities.

STAFF NOTES. In order to respond to the LAO’s concerns, the Community Colleges has drafted Supplemental Report Language as follows:

“The California Community Colleges (CCC) shall review the methods it uses to prepare enrollment projections for districts, and changes that might be made in its methods in order to increase the accuracy of their projections. The CCC shall report to the Legislature by November 1, 2004 on the progress of its review, and submit a final report including recommended changes by July 1, 2005.”

Staff recommends that the proposed Supplemental Report Language be adopted.

B. APRIL FINANCE LETTER. As part of the April revision to the Governor’s Budget, the Department of Finance proposes to add \$233,000 and 2.0 positions in the California Community Colleges Chancellor’s Office to review capital outlay projects and administer

and allocate bond funds for the projects. There has been an increase in workload associated with the capital outlay unit since the passage of Proposition 47 in 2002 and Proposition 55 in 2003. Funding for the positions and related expenses will come from the Educational Facilities 1998 Bond Fund.

STAFF NOTES. Staff recommends that this issue be approved as proposed by the Department of Finance.

IV. CONSENT

Staff recommends that the following items be Approved as Budgeted.

- 6120-011-0001. Support, California State Library. \$9,824,000
- 6120-011-0020. Support, California State Library, Law Library. Payable from the California State Law Library Special Account. \$589,000
- 6120-011-0890. Support, California State Library. Payable from the Federal Trust Fund. \$6,153,000.
- 6120-011-6000. Support, California State Library, Office of Library Construction. Payable from the California Public Library Construction and Renovation Fund. \$2,589,000.
- 6120-011-6029. Support, California State Library, Administration of California Cultural and Historical Endowment. Payable from the California Clean Water, Clean Air and Safe Neighborhood Parks, and Coastal Protection Fund. \$1,557,000.
- 6120-012-0001. Support, California State Library, Rental Payments on Lease-Revenue Bonds. \$2,457,000.
- 6120-013-0001. Support, California State Library, Sutro Library Special Repairs. \$17,000.
- 6120-150-0001. Local Assistance, California State Library, California Civil Liberties Public Education Program. \$500,000.
- 6120-160-0001. Local Assistance, California State Library, California Newspaper Project. \$240,000.
- 6120-211-0001. Local Assistance, California State Library, Library Development Services. \$15,170,000.
- 6120-211-0890. Local Assistance, California State Library, Library Development Services. Payable from the Federal Trust Fund. \$12,518,000.
- 6120-213-0001. Local Assistance, California State Library, California English Acquisition and Literacy Programs. \$5,340,000.
- 6120-221-0001. Local Assistance, California State Library, Public Library Foundation. \$15,766,000.
- 6120-490. Add item, Reappropriation, Local Assistance, California State Library. Per April 2004 Finance Letter.
- 6420-001-0001. Support, California Postsecondary Education Commission. \$1,999,000.
- 6420-001-0890. Support, California Postsecondary Education Commission. Payable from the Federal Trust Fund. \$411,000.

- 6420-101-0890. Local Assistance, California Postsecondary Education Commission. Payable from the Federal Trust Fund. \$8,579,000.
- 6440-005-0001. Support, University of California. Institutes for Science and Innovation. \$4,750,000
- 6440-401 Capital Outlay, University of California. Savings from Capital Outlay Bond Funded Projects. Language as amended by April 2004 Finance Letter.
- 6440-490 Reappropriation, University of California.
- 6610-002-0001 Support, California State University. Direct costs and Administration of Legislative, Executive and Judicial Fellows programs. \$2,725,000.
- 6610-401 Capital Outlay, California State University. Savings from Capital Outlay Bond Funded Projects. Language as amended by April 2004 Finance Letter.
- 6610-490 Reappropriation, California State University.
- 6610-493 Add Item, California State University, per April 2004 Finance Letter to reappropriate funds for Library projects at CSU Monterey Bay and CSU Pomona.
- 6610-494 Add Item, California State University, per April 2004 Finance Letter to extend liquidation period for construction funds for (1) Engineering/Architecture Building at CSU San Luis Obispo; and (2) Peterson Hall project at CSU Long Beach.
- 6610-495 Add Item, California State University, per April 2004 Finance Letter. To revert \$6,600,000 million for Chico Telecommunications Infrastructure Project.
- 6610-301-0574 Capital Outlay, California State University, add \$7,959,000 million per April 2004 Finance Letter for Chico Telecommunications Infrastructure Project.
- 6870-001-0574 Support, California Community Colleges for facilities planning. \$1,117,000
- 6870-001-0925 Support, California Community Colleges. Payable from California Business Resources and Assistance Innovation Network Fund. \$10,000.
- 6870-301-6028 Capital Outlay, California Community Colleges. Decrease Item per April 2004 Finance Letter to delete Skyline College Facility Maintenance Center Project. \$2,885,000.
- 6870-301-6041 Capital Outlay, California Community Colleges. Increase Item per April 2004 Finance Letter for College of San Mateo Student Services Consolidation Project. \$3,678,000.
- 6870-301-6041 Capital Outlay, California Community Colleges. Increase Item per April 2004 Finance Letter for Canada College Library, Learning Resource Center and Student Services Project. \$4,027,000.

6870-301-6041 Capital Outlay, California Community Colleges. Increase Item per April 2004 Finance Letter for Copper Mountain College Multi-Use Sports Complex. \$927,000.

6870-497 Add Item, California Community Colleges, per April 2004 Finance Letter to revert funding from College of San Mateo Seismic Retrofit of Student Services Building. \$3,745,000.

Additional Higher Education Capital Outlay Projects – per Attached.